

Landmark Academy

Kimball, Michigan

Audited Financial Statements

June 30, 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Landmark Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Landmark Academy, as of and for the year ended June 30, 2009, which collectively comprise the Academy's basic financial statements listed in the table of contents. These financial statements are the responsibility of Landmark Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

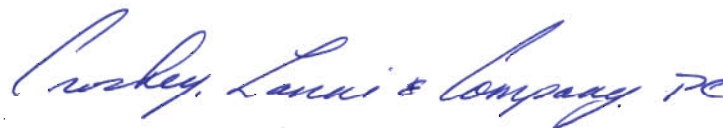
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Landmark Academy as of June 30, 2009, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2009 on our consideration of Landmark Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through x, and 20, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The introductory and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Landmark Academy's basic financial statements. The introductory section, combining and individual non major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organization and is not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Croskey, Lanni & Company, P.C.

July 21, 2009
Rochester, Michigan

Landmark Academy

**A Public School Academy in Kimball, Michigan
Chartered By Saginaw Valley State University**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009**

Introduction

Landmark Academy completed its tenth year of operations on June 30, 2009. Chartered by Saginaw Valley State University in July of 1999, Landmark is a school of choice serving students in kindergarten through tenth grade. In September 2008, Landmark added high school classes for tenth grade students. In September 2009, Landmark will expand to offer eleventh grade classes.

The school campus is located on a fifteen-acre parcel of land on Lapeer Road in Kimball Township, near Port Huron. The 42,000 square foot Elementary School building is a modular construction with a brick exterior, having 27 classrooms and two administration offices. For the year ending June 30, 2009 there were four (4) classes each of Kindergarten through grade three, three (3) classes each of grades four through six, two (2) classes each of grades seven through ten. As of the writing of this report Landmark has added an additional fourth grade class (bringing the total to four), an additional seventh grade class (bringing the total to three) and two eleventh grade classes for the 2009-2010 school year. It is anticipated that Landmark will add an additional fifth grade class, another eighth grade class and two twelfth grade classes the following year as students advance.

In 2007 Landmark Academy entered into a three (3) year lease agreement for occupancy of the second floor of the Cross Current Church building with an exclusive right to purchase the entire building by the end of the 2009 calendar year. Landmark is currently working toward financing the purchase and the remodeling of classrooms on the first floor to accommodate growth for the 2010/2011 school year.

Overview of Financial Statements

The financial information contained in this Management Discussion & Analysis is derived from two methods of reporting. One method is Governmental Fund Accounting, which was the only method used prior to the GASB 34 changes that were put into place a few years ago. The other method reports finances on a Net Asset basis, typical of corporate accounting.

The Governmental Fund method reports separates the financial activities of the school into self-balancing funds based on the primary function of the fund. For example, the Debt Service Fund is specifically for all activity related to the school's debt service activity. The funds used for Landmark Academy are the General Fund (where most all financial activity takes place), the Debt Service Fund, the Capital Project Fund (for the school construction projects), and the Activity Fund (for money held by Landmark on behalf of student groups – student council, for example).

The Net Asset method reflects activity on a school-wide basis (excluding Fiduciary accounts), showing assets, short-term and long-term debt, and all revenues and expenses for the year. Depreciation of assets is included in this method of accounting.

Financial statements representing both accounting methods follow this Management's Discussion & Analysis. Included in these statements is a reconciliation between the two methods of accounting.

Assets, Liabilities & Net Assets

Assets

Capital Assets

Much of Landmark's asset value is represented in land and buildings, nearly \$6.5 million of the total. In prior years, Landmark's capital asset values were established on an original cost basis. Changes in accounting methods now require the depreciation of these assets – which amounts to an accumulated total of \$938,318.

Landmark Academy opened its doors in 1999 with two (2) 6,000 square foot modular buildings that provided for 11 classrooms and an administrative office. Growth in student numbers necessitated expansion projects in 2001, 2003, 2005 and 2007. The school issued Certificates of Participation to fund the projects. Brick was installed on the exterior of the original classrooms and all subsequent additions to extend the life of all of the modular buildings and to provide for an aesthetically attractive, single-structure appearance. The final addition of two modular classrooms in 2007 brings the total Kindergarten through Grade 5 campus building area to approximately 42,000 square feet.

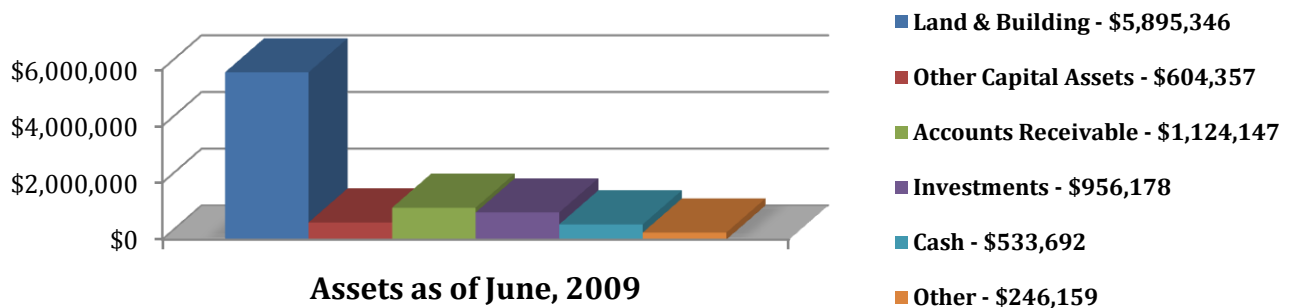
Current Assets

Landmark Academy's current assets total \$2,860,176. Of that amount, \$1,082,117 is recorded as accounts receivable due from governmental units. Most of this is derived from the State of Michigan as per-pupil aid, which will be received by the end of August 2009. Landmark maintains a checking account and a money market account, totaling \$533,692 for the year-end, which represents the cash balances in the general operating accounts. Another significant portion of the school's current assets is the \$956,178 shown as investments. The majority of this sum is held in a trust account to pay for the principal and interest on the long-term debt (Certificates of Participation). Landmark Academy also has \$246,159 in pre-paid expenses, of which \$200,000 is an

earnest money deposit on the purchase of the 100,000 square foot Cross Current building, which includes approximately 50 acres of land for future use.

All Assets

The following chart illustrates the categories and amounts of Landmark's \$9,359,879 in assets.



Liabilities

Long-Term Liabilities

Landmark presently has a long-term debt obligation of \$7,110,000 – mostly from the Certificates of Participation (C.O.P) used to finance the school expansions in 2001, in 2003, in 2005 and in 2007. The Academy paid roughly \$95,000 in principal payments on the C.O.P. issues over the course of the school year.

The financing agreement for the Certificates of Participation calls for 20% of state aid to be directly deposited monthly (except September and November) into a trust account held at U.S. Bank to satisfy principal and interest due. Deposited funds in excess of debt service are then transferred back to the Academy's general checking account, usually a few days after each deposit. Page 5 of the basic financial statements shows \$616,267 transferred out of the general fund and into the debt service fund to provide for the debt service on both C.O.P. issues.

Current Liabilities

Current liabilities of \$518,982 are a small portion of total liabilities. They reflect the current portion of long-term debt (\$100,000), as well as salaries and benefits for teacher contracts (\$418,982) that will not be fully disbursed until August 15, 2009.

Total Liabilities are \$7,528,982.

Net Assets

Total Net Assets for the year ended June 30, 2009 are \$1,830,897. This basically represents Landmark's equity position. Of this, (\$610,297) represents the amount invested in capital assets, less the related debt. The deficit is due in large to the underwriting costs of the C.O.P. debts being financed. The amount restricted for debt service is \$955,945 and \$233 remains from the 2007 capital project reserved for capital improvements. The remaining \$1,238,357 is unrestricted. The change in net assets from the previous year is \$292,476.

Comparative Analysis of Net Assets

The following is a comparison of financial data from this year versus data from last year. Total Assets grew by roughly 2%. Long-Term Debt decreased by 1%. Unrestricted Net Assets increased less than 1% over the previous year's amount. The Net Assets improved by 19%, reflecting a robust year of financial improvement for the school.

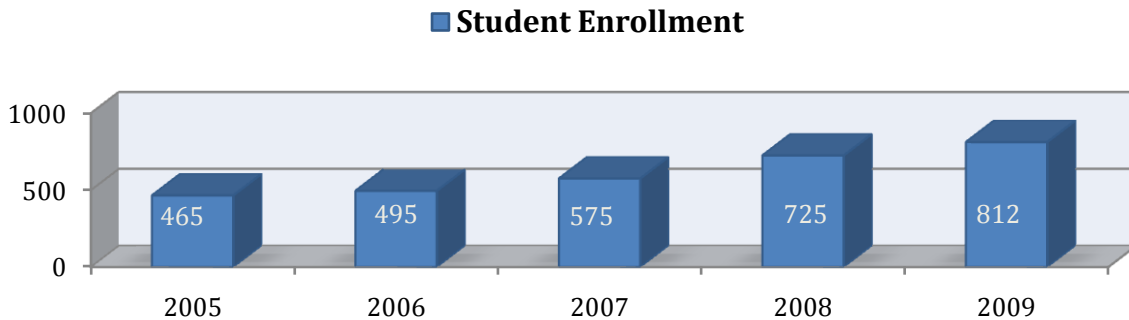
Comparative Statement of Financial Position

	<u>2008/2009</u>	<u>2007/2008</u>
Assets		
Current Assets	\$ 2,860,176	\$ 2,595,628
Facilities, Fixtures, Equipment	<u>6,499,703</u>	<u>6,551,989</u>
Total Assets	9,359,879	9,147,617
Liabilities		
Current Liabilities	518,982	499,196
Long-Term Debt	<u>7,010,000</u>	<u>7,110,000</u>
Total Liabilities	7,528,982	7,609,196
Net Assets		
Invest in Capital Assets, less Related Debt	(610,297)	(653,011)
Restricted for Debt Service	955,945	954,858
Restricted for Capital Projects	233	232
Restricted for Prepaid Expenses	246,159	-
Unrestricted	<u>1,238,857</u>	<u>1,236,342</u>
Total Net Assets	\$ <u>1,830,897</u>	\$ <u>1,538,421</u>

Revenue & Expenses

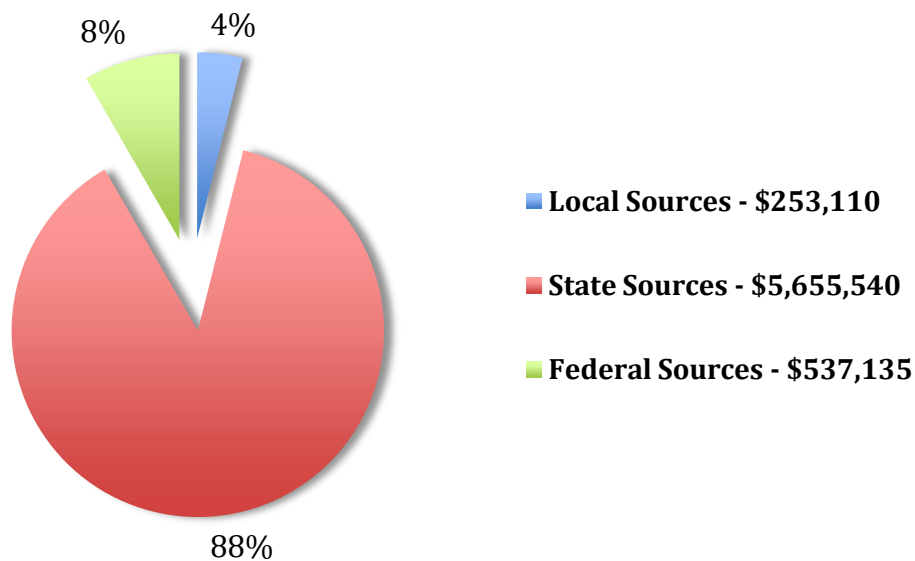
Revenue

Landmark Academy enjoyed another year of growth in student numbers, increasing from 723 students, at the close of the previous year, to 812 at the close of the current year – an increase of 12%.



Landmark’s primary source of revenue is derived from the State of Michigan. Approximately 88% of its total annual revenue from all sources for this school year was from state aid. Late in the year state aid was reduced by roughly \$272 per student, which was the case for all public schools. This deficit was restored through Federal ARRA dollars. The net result was that Landmark received roughly \$7,417 per student based on a blended student count formula – 75% of the September student enrollment count and 25% of the February count. Page 20 provides information on other revenue sources.

2008 - 09 Revenue by Function

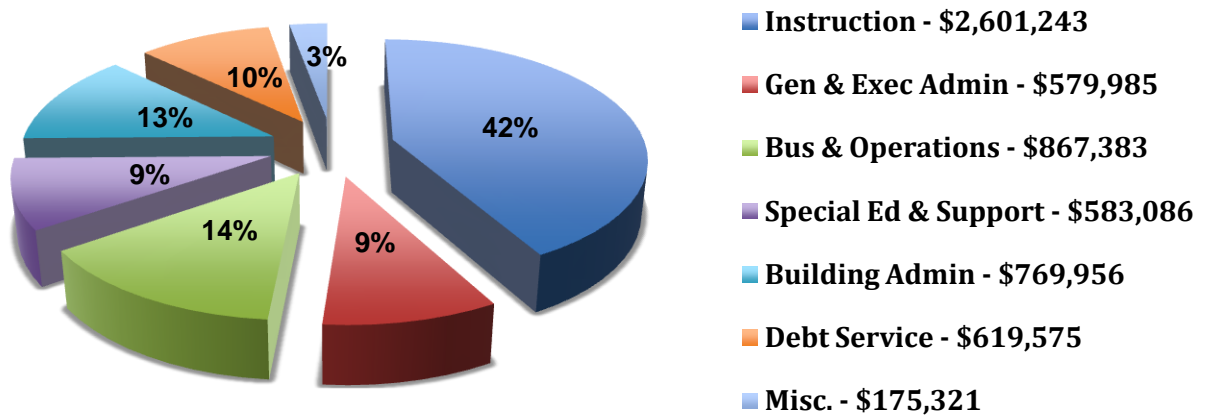


Total Revenue - \$6,445,785 - Modified Accrual Basis

Expenses

Expenses are approved and reported on a function level. The following chart represents those levels and the corresponding expenses (based upon a modified accrual method) for this fiscal year. Some of the functions have been combined in the chart for purposes of clarity. Expenses, by function, are detailed on page 2.

2008 - 09 Expenses by Function



Total Expenses - \$6,196,549 - Modified Accrual Basis

Monies from the Small Rural Schools Grant, Title Funds, 31-A state funds, and a grant from Saginaw Valley State University were also used to enhance core academic portions of the curriculum. Federal ARRA funds were used to replace reduction in state aid late in the school year. These funds were used for general instruction expenses. Also, special education funds from Public Act 18 (a county millage) allowed the Academy to enhance its resources used for our special education program.

Comparative Analysis of Revenues, Expenditures, Changes in Fund Balance

Total revenue rose 18% over last year's revenue driven primarily by a 12% increase in student enrollment. There was also a 13% increase in State Aid. State Aid as a percentage of total revenue was 88%.

Total expenditures rose by approximately 21%, driven largely by the growth in enrollment. There were proportional increases in the Instruction, Special Education/Support and General/Executive Administration categories. A significant increase (42%) came from the Building Administration category. The majority of this increase (90%) is due to the addition of several new administrative positions. This was necessitated by Landmark's venturing into High School and the needs arising from operating the school in two separate buildings. Some of the positions added include a Middle School/High School Building Administrator, an Assistant Building Administrator, a full time IT Coordinator and a few administrative secretaries. The other most significant increase came from the Miscellaneous category, which increased by \$162,848. Much of this increase (96%) came from two major sources. First, the school introduced a Latchkey Program, which added approximately \$26,000 in expenses. This had a net impact of zero on the budget due to \$26,000 of Latchkey revenue. Second, Landmark incurred approximately \$130,000 of capital expenditures nearly half of

which results from engineering and design work for the upcoming remodeling project in 2010. The other capital expenditures included new furniture for additional grades, parking lot repairs and the purchase of new technology.

The year-end fund balance increased by 19.5% over the previous year. The following chart outlines the changes in the primary income and expense categories.

Comparative Statement of Activities

	<u>2008/2009</u>	<u>2007/2008</u>
Revenue		
Program revenues		
Operating grants	\$ 681,917	\$ 340,511
Charges for services	<u>36,066</u>	<u>35,931</u>
Total program revenues	717,983	376,442
General revenues		
State aid – unrestricted	5,522,798	4,986,306
Other	<u>205,004</u>	<u>142,836</u>
Total general revenues	<u>5,727,802</u>	<u>5,129,142</u>
Total revenues	6,445,785	5,505,584
Expenses		
Instruction	2,601,243	2,304,489
Special Ed & Support Services	583,086	493,894
General & Executive Administration	579,985	493,458
Building Administration	769,956	540,792
Business & Operations	867,383	800,472
Other	45,773	12,473
Unallocated depreciation	181,833	175,416
Unallocated interest	<u>524,050</u>	<u>529,087</u>
Total Expenditures	<u>6,153,309</u>	<u>5,350,081</u>
Changes in Fund Balance	\$ <u><u>292,476</u></u>	\$ <u><u>155,503</u></u>

Note: Numbers based on Full Accrual Basis

Overall Financial Position

Student enrollment for the fall represented a 12% increase over the previous year. Actual fall-count enrollment was 3% more than had been anticipated in the initial budget, which had been projected at 790. Total actual revenue from all sources was 6% above the initial budgeted revenues. There was a 3% increase in actual total expenses (without interest expense) versus the initial budgeted numbers (See page 19).

This year Landmark was again able to retire a small portion of principal on the long-term certificates. The fund balance increase over the previous year was a very strong 19.5%. Landmark Academy enjoyed another solid year of growth in students and staff, completing yet another expansion of building facilities.

Fund Balance Restrictions

Landmark presently maintains a combined fund balance position of \$2,473,901. The undesignated portion of this is \$1,517,723 and \$955,945 is reserved for debt service. A balance of \$233 remains in the capital project fund.

Budget

The Landmark Academy Board of Directors approved the initial budget prior to July 1, 2008. Much of the school's income (over 90%) is based on enrollment projections and anticipated state aid, with expenses increasing proportionately. Since the formal student count occurs in late September, it is common to revise the budget in October to reflect the actual student enrollment. The Academy's State Aid revenue projection for the fiscal year was (and continues to be) based largely on verbal commitments from parents. The actual September 2008 count was 812. This was more than the 790 commitment number used to formulate the budget. The actual year end totals for two function categories exceeded the final amended budget numbers by approximately 3%. Both instances were a result of re-categorizing expenses during the auditing process.

Significant Capital Asset & Long-Term Debt Activity

One of the most significant change for the year was a 19% increase in Net Assets. This was largely due to increases in current assets, specifically Due from Governmental Units and Cash/Cash Equivalents. Liabilities decreased a modest 1% and total assets increased approximately 2% over the previous year.

Currently Known Facts

The student count for the 2009-2010 school year currently stands at 910, which represents an 12% increase over last year's enrollment - another solid year of growth. As planned, a fourth fourth grade class was added this year, as well as a third seventh grade class, and two eleventh grade classes. Additional teachers were hired for fourth grade, Elementary for Art, Gym and Music, and four for Middle School/High School. Additional teaching assistants have also been hired.

When Landmark's fourth grade students are promoted, an additional fifth grade class (bringing the total to four) will be added in the fall of 2010, as well as the addition of a third eighth grade class. It is also expected that the school will add two twelfth grade classes to accommodate the promotion of this year's junior classes. Landmark's growth is anticipated to continue the following year, with increases in the middle and high school grades. The purchase of the 100,000 square foot Cross Current building (along with minor renovations to the first floor) has been planned for the summer of 2010. This will bring the entire two building campus to approximately 142,000 square feet on 66 acres of land.

For information regarding the content contained in this Management Discussion and Analysis please contact Travis Gostinger, Landmark Academy Business Administrator, at 810-982-7210.

LANDMARK ACADEMY

STATEMENT OF NET ASSETS

JUNE 30, 2009

See Independent Auditor's Report

ASSETS

Current Assets

Cash and cash equivalents	\$ 533,692
Investments	956,178
Accounts receivable	42,030
Due from other governmental units	1,082,117
Prepaid expenses	246,159
	<hr/>
Total current assets	2,860,176

Facilities, Furniture and Equipment

At cost less accumulated depreciation of \$938,318	6,499,703
	<hr/>
Total assets	\$ 9,359,879
	<hr/> <hr/>

LIABILITIES AND NET ASSETS

Current Liabilities

Other accrued expenses	\$ 418,982
Long-term debt - current portion	100,000
	<hr/>
Total current liabilities	518,982

Long-Term Debt - Long-Term Portion

7,010,000

Net Assets

Invested in capital assets, net of related debt	(610,297)
Restricted for debt service	955,945
Restricted for capital projects	233
Restricted for prepaid expenses	246,159
Unrestricted	1,238,857
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Total net assets	1,830,897
	<hr/>
Total liabilities and net assets	\$ 9,359,879
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See accompanying notes to financial statements

LANDMARK ACADEMY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009
See Independent Auditor's Report

Functions	<u>Expenses</u>	Program Revenues		Net (Expense) Revenues and Changes in Net Assets
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Government Type Activities</u>
Elementary school	\$ 1,569,765	\$ -	\$ 365,471	\$ (1,204,294)
Middle school	679,809	-	-	(679,809)
High school	351,669	-	-	(351,669)
Special education	192,682	-	127,303	(65,379)
Compensatory education	263,913	-	189,143	(74,770)
Support services	126,491	-	-	(126,491)
General administration	56,268	-	-	(56,268)
Executive administration	523,717	-	-	(523,717)
Building administration	769,956	-	-	(769,956)
Business support services	371,472	-	-	(371,472)
Operation and maintenance	495,911	-	-	(495,911)
Other support services	19,447	5,667	-	(13,780)
Custody and care of children	26,326	26,003	-	(323)
Unallocated depreciation	181,833	-	-	(181,833)
Unallocated interest	524,050	4,396	-	(519,654)
	<u>\$ 6,153,309</u>	<u>\$ 36,066</u>	<u>\$ 681,917</u>	<u>(5,435,326)</u>
General Purpose Revenues:				
State school aid - unrestricted				5,522,798
Interest				5,206
Miscellaneous				199,798
				<u>5,727,802</u>
Excess of revenues over expenses				292,476
Net assets - July 1, 2008				<u>1,538,421</u>
Net assets - June 30, 2009				<u>\$ 1,830,897</u>

See accompanying notes to financial statements



LANDMARK ACADEMY

COMBINED BALANCE SHEET - ALL FUND TYPES

JUNE 30, 2009

See Independent Auditor's Report

ASSETS

	Governmental Fund Types		
	General	Debt Service	Capital Projects
Cash and cash equivalents	\$ 533,692	\$ -	\$ -
Investments	-	955,945	233
Accounts receivable	42,030	-	-
Due from other governmental units	1,082,117	-	-
Prepaid expenses	246,159	-	-
Total assets	\$ 1,903,998	\$ 955,945	\$ 233

LIABILITIES AND FUND BALANCES

Liabilities

Other accrued expenses	\$ 386,275	\$ -	\$ -
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Fund Balance

Restricted for prepaid services	246,159	-	-
Designated for debt service	-	955,945	-
Designated for capital projects	-	-	233
Unreserved: Undesignated	1,271,564	-	-
Total fund balances	1,517,723	955,945	233
Total liabilities and fund balances	\$ 1,903,998	\$ 955,945	\$ 233

See accompanying notes to financial statements



LANDMARK ACADEMY

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS
OF GOVERNMENTAL ACTIVITIES**

JUNE 30, 2009

See Independent Auditor's Report

Amounts reported for governmental activities in the statement of net assets are different because:

Total Governmental Fund Balances	\$ 2,473,901
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$7,438,021 and the accumulated depreciation is \$938,318.	6,499,703
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(32,707)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(7,110,000)</u>
Net Assets of Governmental Activities	<u><u>\$ 1,830,897</u></u>



See accompanying notes to financial statements

LANDMARK ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2009

See Independent Auditor's Report

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues			
Local sources	\$ 248,714	\$ 4,395	\$ 1
State sources	5,655,540	-	-
Federal sources	537,135	-	-
Total governmental fund revenues	<u>6,441,389</u>	<u>4,395</u>	<u>1</u>
Expenditures			
Elementary school	1,569,765	-	-
Middle school	679,809	-	-
High school	351,669	-	-
Special education	192,682	-	-
Compensatory education	263,913	-	-
Support services	126,491	-	-
General administration	56,268	-	-
Executive administration	523,717	-	-
Building administration	769,956	-	-
Business support services	371,472	-	-
Operation and maintenance	495,911	-	-
Other support services	19,447	-	-
Custody and care of children	26,326	-	-
Capital outlay	129,548	-	-
Debt principal and interest	-	619,575	-
Total governmental fund expenditures	<u>5,576,974</u>	<u>619,575</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	864,415	(615,180)	1
Other Financing Sources (Uses)			
Operating transfers in	-	616,267	-
Operating transfers out	(616,267)	-	-
Total other financing sources (uses)	<u>(616,267)</u>	<u>616,267</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other (uses)	248,148	1,087	1
Fund balance - July 1, 2008	<u>1,269,575</u>	<u>954,858</u>	<u>232</u>
Fund balance - June 30, 2009	<u>\$ 1,517,723</u>	<u>\$ 955,945</u>	<u>\$ 233</u>

See accompanying notes to financial statements



LANDMARK ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2009 See Independent Auditor's Report

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ 249,236
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Governmental funds report capital outlays as expenditures. However, in the statements of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 129,548	
Depreciation expense	<u>(181,833)</u>	(52,285)

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal	\$ 95,000	
Interest expense	<u>525</u>	<u>95,525</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 292,476</u></u>
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See accompanying notes to financial statements



LANDMARK ACADEMY

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2009
See Independent Auditor's Report**

ASSETS

	<u>Agency</u>
Cash and cash equivalents	\$ 47,748
Total assets	<u>\$ 47,748</u>

LIABILITIES

Due to student groups	\$ 47,748
Total liabilities	<u>\$ 47,748</u>



See accompanying notes to financial statements

LANDMARK ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies

The accounting policies of Landmark Academy (the "Academy") conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

Landmark Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on May 26, 1999, and began operation in July, 1999.

In July 2009, the Academy entered into a five year contract with Saginaw Valley State University's Board of Control to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University's Board of Control is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays Saginaw Valley State University's Board of Control three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2009 were approximately \$174,200.

In June 2006, the Academy entered into a three year consulting agreement with Summit Management, LLC. Under the terms of this agreement, Summit will provide a variety of services including oversight of administration and staff and coordinate the development of budgets and financial reports. The Academy is obligated to pay Summit \$150,000 or 6% of state aid, whichever is greater. The total paid for these services amounted to approximately \$345,300 for the year ended June 30, 2009.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operation of financial relationships with the public school Academy. Based on application of criteria, the Academy does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The Academy has elected to specify all of its funds as major.

Basis of Presentation - Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined basic financial statements in this report, into generic fund types in two broad categories:

LANDMARK ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Governmental Fund

A governmental fund is a fund through which most academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

General Fund - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Debt Service Fund - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital project fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Fiduciary Fund - The fiduciary fund is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

Activity (Agency) Fund - The Academy presently maintains an activity fund to record the transactions of a student group for school and school-related purposes. The fund is segregated and held in trust for the students.

Governmental funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough, thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

LANDMARK ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Government Wide Financial Statements

The government-wide financial statements (i.e. the statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses, and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self financing or draws from the general revenues of the Academy.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The academy first utilizes restricted resources to finance qualifying activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for certain investments and for external investment pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration the rate of return is fixed and the Academy intends to hold the investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the academy to invest in bonds and other direct and certain in-direct obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bond, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. Banks, and mutual funds composed of investments as outlined above.

LANDMARK ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Receivables

Receivables at June 30, 2009 consist primarily of state school aid due from the State of Michigan. All receivables are expected to be fully collected in July and August of 2009 and are considered current for the purposes of these basic financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Academy defines capital assets as those with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 - 50 years
Furniture and equipment	5 - 15 years
Computers and software	3 - 10 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

LANDMARK ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
 See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance of amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - Stewardship, Compliance and Accountability

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt a general and special revenue fund, if applicable, budgets. The Academy has not formally adopted a debt service fund or capital projects fund budget. During the year ended June 30, 2009 the budget was amended in a legally permissible manner.

The budget statement (budgetary comparison schedule - all governmental funds) is presented on the combined statement of revenue, expenditures, and fund balances. During the year ended June 30, 2009, the Academy incurred budget overruns as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund		
General Administration	\$ 54,500	\$ 56,268
Capital outlay	125,000	129,548

LANDMARK ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
 See Independent Auditor's Report

NOTE 3 - Deposits and Investments

As of June 30, 2009, the Academy had the following investments:

<u>Type</u>	<u>S&P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 581,440
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	956,178
Total deposits and investments			<u>\$ 1,537,618</u>

The above amounts are reported in the financial statements as follows:

Deposits:			
Cash - Agency Fund			\$ 47,748
Cash - Academy Wide			533,692
Subtotal			<u>581,440</u>
Investments:			
Investments - Debt Service			955,945
Investments - Capital Projects			233
Subtotal			<u>956,178</u>
Total deposits and investments			<u>\$ 1,537,618</u>

Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

LANDMARK ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
 See Independent Auditor's Report

NOTE 3 - Deposits and Investments - Continued

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2009, the Academy's investments were rated AAAM by Standards & Poor's and Aaa by Moody's Investors Service.

Concentration of Credit Risk

The district will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Academy's investments are in investment pools which represents 100% of the Academy's total investments.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2009, \$379,546 of the Academy's bank balance of \$629,546 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

NOTE 4 - Due From Other Governmental Units

Amounts owed from governmental units consist of the following:

At risk	\$ 17,528
Special education	6,618
State aid	764,547
Federal sources	293,424
	<hr/>
Total	\$ 1,082,117
	<hr/> <hr/>



LANDMARK ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
 See Independent Auditor's Report

NOTE 5 - Capital Assets

Capital asset activity of the Academy's governmental activities was as follows:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Balance June 30, 2009</u>
Land (non depreciable)	\$ 420,000	\$ -	\$ 420,000
Buildout of facilities	5,361,544	84,873	5,446,417
Furniture and fixtures	180,961	39,020	219,981
Loan issuance costs	405,042	-	405,042
Machinery and equipment	224,915	5,654	230,569
Original classrooms	716,012	-	716,012
	<hr/>	<hr/>	<hr/>
Subtotal	7,308,474	129,547	7,438,021
	<hr/>	<hr/>	<hr/>
Accumulated depreciation	756,485	181,833	938,318
	<hr/>	<hr/>	<hr/>
Net book value of assets	<u>\$ 6,551,989</u>	<u>\$ (52,286)</u>	<u>\$ 6,499,703</u>

NOTE 6 - Accrued Expenses

Accrued expenses may be summarized as follows:

	<u>Net Assets</u>	<u>Funds</u>
SVSU oversight	\$ 31,739	\$ 31,739
Purchased services - payroll and benefits	266,495	266,495
Interest	32,707	-
Other accrued expenses	88,041	88,041
	<hr/>	<hr/>
Total accrued expenses	<u>\$ 418,982</u>	<u>\$ 386,275</u>

Depreciation expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

LANDMARK ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
 See Independent Auditor's Report

NOTE 7 - Long-Term Obligations Payable

The following is a summary of long-term obligations for the Academy for the year ended June 30, 2009.

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u> <u>and Payments</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Due Within</u> <u>One Year</u>
Certificates of participation #1	\$ 3,235,000	\$ -	\$ 55,000	\$ 3,180,000	\$ 60,000
Certificates of participation #2	2,010,000	-	40,000	1,970,000	40,000
Certificates of participation #3	1,960,000	-	-	1,960,000	-
Total	<u>\$ 7,205,000</u>	<u>\$ -</u>	<u>\$ 95,000</u>	<u>\$ 7,110,000</u>	<u>\$ 100,000</u>

The Academy has issued three series of Certificates of Participation bearing interest at rates from 6.75% through 7.56% through the year ending June 30, 2031. The obligations require semi-annual interest payments due on December 1st and June 1st and an annual payment of principal due on June 1st. The certificates are collateralized by a mortgage on the Academy's facility as well as a pledge for 20% of State School Aid payments and investments held in trust for debt service.

Following are maturities of long-term obligations principal and interest for each of the next five years and in total:

	<u>Principal</u>	<u>Interest</u>
2010	\$ 100,000	\$ 520,438
2011	110,000	513,788
2012	2,075,000	506,475
2013	125,000	370,238
2014	135,000	361,175
2015 - 2019	825,000	1,647,738
2020 - 2024	1,160,000	1,297,457
2025 - 2029	1,695,000	769,431
2030 - 2031	885,000	105,975

LANDMARK ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
See Independent Auditor's Report

NOTE 8 - Operating Lease

The Academy has entered into an operating lease agreement with an unrelated third party for the use of classroom facilities, gymnasium, and cafeteria space. The Academy is required to maintain adequate property and liability insurance coverage as well as maintain the property in like condition as at the inception of the lease term. The lease requires rental payments of \$24,000 monthly. The space is held under a thirty-four month lease beginning in April, 2007.

The Academy has also leased equipment for its facilities under non-cancelable agreements which expire at various times through April, 2012. The leases require approximate annual rentals of \$26,000.

The approximate amount of lease obligations coming due during the next three years are as follows:

	<u>Equipment</u>	<u>Facilities</u>
2010	\$ 26,000	\$ 168,000
2011	26,000	-
2012	4,500	-

Total rent expense included in the determination of net earnings for the year ended June 30, 2009 amounted to approximately \$306,000.

NOTE 9 - Retirement Plan

All leased employees of the Academy are eligible to participate in a retirement plan established by Summit which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The employer under this plan will contribute 4% of salaries regardless of the amount the employee contributes. The employer will additionally match up to 4% of employee contributed funds. Eligible employees may contribute up to 15% of their salaries under the terms of this plan. Total Academy contributions amounted to approximately \$198,600 for the year ended June 30, 2009.

NOTE 10 - Interfund Transfers

During the normal course of the school year the Academy transferred amounts between its three major funds as follows:

	<u>General</u>	<u>Debt Service</u>
Transfers In	\$ -	\$ 616,267
Transfers Out	616,267	-

LANDMARK ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
See Independent Auditor's Report

NOTE 10 - Interfund Transfers - Continued

As stipulated by the Academy's Certificates of Participation as described in Note 7, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion needed for debt service and returns the remainder to the Academy.

NOTE 11 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 12 - Related Party Transactions

Summit Management, LLC provides management services to the Academy as described in Note 1 of these financial statements. The Academy's school and business administrators are also members / owners of Summit Management, LLC. The board of directors is directly responsible for appointing the management firm and neither of the above mentioned individuals are eligible to vote for this appointment.



Croskey, Lanni & Company, PC
Certified Public Accountants and Business Advisors

David M. Croskey, CPA
Thomas B. Lanni, CPA
Carolyn A. Jones, CPA, MST
Clifton F. Powell Jr., CPA, CFP®, PFS
Roger J. DeJong, CPA
Patrick M. Sweeney, CPA

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

**To the Board of Directors
of Landmark Academy**

We have audited the accompanying financial statements of Landmark Academy for the year ended June 30, 2009. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Landmark Academy. This information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in blue ink that reads "Croskey, Lanni & Company, PC".

Croskey, Lanni & Company, P.C.

July 21, 2009
Rochester, Michigan

LANDMARK ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

See Independent Auditor's Report on Supplemental Information

	General Fund		
	Original Budget	Final Budget	Actual
Revenue			
Local sources	\$ 93,813	\$ 238,300	\$ 248,714
State sources	5,768,000	5,643,200	5,655,540
Federal sources	185,000	553,251	537,135
Total governmental fund revenues	6,046,813	6,434,751	6,441,389
Expenditures			
Elementary school	1,654,000	1,577,500	1,569,765
Middle school	664,700	690,700	679,809
High school	397,200	370,600	351,669
Special education	172,200	208,500	192,682
Compensatory education	158,000	264,500	263,913
Support services	108,500	131,800	126,491
General administration	45,000	54,500	56,268
Executive administration	567,200	528,500	523,717
Building administration	694,500	779,000	769,956
Business support services	357,000	374,000	371,472
Operation and maintenance	495,300	503,500	495,911
Field trips	5,000	-	-
Other support services	20,000	25,000	19,447
Custody and care of children	-	26,500	26,326
Capital outlay	70,000	125,000	129,548
Debt principal and interest	-	-	-
Total governmental fund expenditures	5,408,600	5,659,600	5,576,974
Excess (deficiency) of revenues over expenditures	638,213	775,151	864,415
Other Financing Sources (Uses)			
Operating transfers in	489,187	504,000	-
Operating transfers out	(1,108,300)	(1,123,500)	(616,267)
Total other financing sources (uses)	(619,113)	(619,500)	(616,267)
Excess of revenues and other financing sources over expenditures and other (uses)	19,100	155,651	248,148
Fund balance - July 1, 2008	1,269,575	1,269,575	1,269,575
Fund balance - June 30, 2009	\$ 1,288,675	\$ 1,425,226	\$ 1,517,723

LANDMARK ACADEMY

**SCHEDULE OF REVENUES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2009**

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Local Sources			
Interest	\$ 5,205	\$ 4,395	\$ 1
Local millages	191,338	-	-
Mini grant	12,040	-	-
Program revenue	31,670	-	-
Miscellaneous	8,461	-	-
	<hr/>	<hr/>	<hr/>
Total local sources	248,714	4,395	1
State Sources			
At risk	96,358	-	-
Special education	36,384	-	-
State aid	5,522,798	-	-
	<hr/>	<hr/>	<hr/>
Total state sources	5,655,540	-	-
Federal Sources			
ARRA federal stimulus	293,424	-	-
Rural school grant	42,105	-	-
Special education	90,919	-	-
Title I	92,785	-	-
Title II A	17,105	-	-
Title II D	797	-	-
	<hr/>	<hr/>	<hr/>
Total federal sources	537,135	-	-
	<hr/>	<hr/>	<hr/>
Total governmental fund revenues	<u>\$ 6,441,389</u>	<u>\$ 4,395</u>	<u>\$ 1</u>

LANDMARK ACADEMY

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2009

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Elementary School			
Purchased services - salaries	\$ 1,227,992	\$ -	\$ -
Purchased services - benefits	187,011	-	-
Purchased services - payroll taxes	96,549	-	-
Textbooks and supplies	56,588	-	-
Workshops and conferences	1,625	-	-
	<hr/>	<hr/>	<hr/>
Total elementary school	1,569,765	-	-
Middle School			
Purchased services - salaries	499,345	-	-
Purchased services - benefits	84,783	-	-
Purchased services - payroll taxes	39,370	-	-
Textbooks and supplies	55,617	-	-
Workshops and conferences	694	-	-
	<hr/>	<hr/>	<hr/>
Total middle school	679,809	-	-
High School			
Purchased services - salaries	226,233	-	-
Purchased services - benefits	34,152	-	-
Purchased services - payroll taxes	17,495	-	-
Supplies and materials	72,689	-	-
Workshops and conferences	1,100	-	-
	<hr/>	<hr/>	<hr/>
Total high school	351,669	-	-
Special Education			
Purchased services - salaries	155,482	-	-
Purchased services - benefits	17,737	-	-
Purchased services - payroll taxes	14,505	-	-
Supplies and materials	3,359	-	-
Workshops and conferences	1,599	-	-
	<hr/>	<hr/>	<hr/>
Total special education	192,682	-	-
Compensatory Education			
Purchased services - salaries	128,419	-	-
Purchased services - benefits	33,230	-	-
Purchased services - payroll taxes	11,641	-	-
Supplies and materials	25,341	-	-
Workshops and conferences	65,282	-	-
	<hr/>	<hr/>	<hr/>
Total compensatory education	263,913	-	-

LANDMARK ACADEMY

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUND TYPES - Continued
FOR THE YEAR ENDED JUNE 30, 2009

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Support Services			
Purchased services - salaries	108,455	-	-
Purchased services - benefits	7,940	-	-
Purchased services - payroll taxes	3,510	-	-
Subcontracted services	5,950	-	-
Supplies and materials	636	-	-
	<hr/>	<hr/>	<hr/>
Total support services	126,491	-	-
General Administration			
Advertising and recruiting	22,357	-	-
Professional fees	33,911	-	-
	<hr/>	<hr/>	<hr/>
Total general administration	56,268	-	-
Executive Administration			
Oversight fees	174,181	-	-
Management fees	345,300	-	-
Memberships and dues	4,236	-	-
	<hr/>	<hr/>	<hr/>
Total executive administration	523,717	-	-
Building Administration			
Purchased services - salaries	545,787	-	-
Purchased services - benefits	99,092	-	-
Purchased services - payroll taxes	51,936	-	-
Copier lease	45,048	-	-
Memberships and dues	1,602	-	-
Miscellaneous	7,168	-	-
Office supplies and other	4,091	-	-
Postage	7,446	-	-
Workshops and conferences	7,786	-	-
	<hr/>	<hr/>	<hr/>
Total building administration	769,956	-	-

LANDMARK ACADEMY

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUND TYPES - Continued
FOR THE YEAR ENDED JUNE 30, 2009

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Business Support Services			
Bank fees	7,940	-	-
Facilities lease	306,000	-	-
Insurance	34,903	-	-
Software maintenance	22,629	-	-
	<hr/>	<hr/>	<hr/>
Total business support services	371,472	-	-
Operation and Maintenance			
Purchased services - salaries	177,193	-	-
Purchased services - benefits	30,123	-	-
Purchased services - payroll taxes	17,966	-	-
Maintenance	122,259	-	-
Supplies	26,786	-	-
Utilities	121,584	-	-
	<hr/>	<hr/>	<hr/>
Total operation and maintenance	495,911	-	-
Other Support Services	19,447	-	-
Custody and Care of Children			
Purchased services - salaries	21,711	-	-
Purchased services - benefits	1,477	-	-
Purchased services - payroll taxes	2,030	-	-
Supplies	1,108	-	-
	<hr/>	<hr/>	<hr/>
Total custody and care of children	26,326	-	-
Capital Outlay	129,548	-	-
Debt Principal and Interest	-	619,575	-
	<hr/>	<hr/>	<hr/>
Total governmental fund expenditures	<u>\$ 5,576,974</u>	<u>\$ 619,575</u>	<u>\$ -</u>

Appendix

Federal Awards

Supplemental Information

LANDMARK ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

Program Title/Project Number Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2008	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2009
US Department of Education								
Passed through the St. Claire County RESA								
I.D.E.A. Cluster	84.027							
090450 0809		88,673	-	-	-	88,673	88,673	-
090460 0809		2,246	-	-	-	2,246	2,246	-
Total US Department of Education Passed through the St. Clair County RESA		90,919	-	-	-	90,919	90,919	-
US Department of Education								
Passed through the Michigan Department of Education								
Title I	84.010							
091530 08 09		92,785	-	-	-	92,785	92,785	-
Small Rural Achievement Program	84.358A							
S358A083298 0809		42,105	-	-	-	42,105	42,105	-
ARRA	84.394							
08 09		293,424	-	-	-	-	293,424	293,424
Technology Literacy Challenge	84.318							
094290 0809		797	-	-	-	797	797	-
Improving Teacher Quality	84.367							
090520 0809		17,105	-	-	-	17,105	17,105	-
Total US Department of Education Passed through from the Michigan Department of Education		446,216	-	-	-	152,792	446,216	293,424
Total federal awards		\$ 537,135	\$ -	\$ -	\$ -	\$ 243,711	\$ 537,135	\$ 293,424

LANDMARK ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1 - Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Landmark Academy and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

NOTE 3 - Grant Section Auditor's Report

Management has utilized Form R-7120 and the Grant Auditors Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**To the Board of Directors
of Landmark Academy**

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Landmark Academy as of and for the year ended June 30, 2009, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated July 21, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Landmark Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Landmark Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Landmark Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

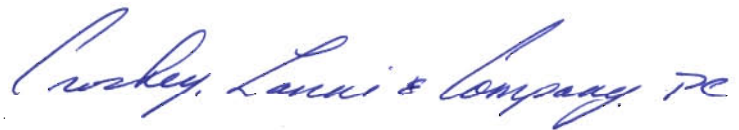
A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of our obtaining reasonable assurance about whether Landmark Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the use of management, the board of directors, the Michigan Department of Education, federal awarding agencies, and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.



Croskey, Lanni & Company, P.C.

July 21, 2009
Rochester, Michigan



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**To the Board of Directors
of Landmark Academy**

Compliance

We have audited the compliance of Landmark Academy with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2009. Landmark Academy's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Landmark Academy's management. Our responsibility is to express an opinion on Landmark Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Landmark Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Landmark Academy's compliance with those requirements.

In our opinion, Landmark Academy complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

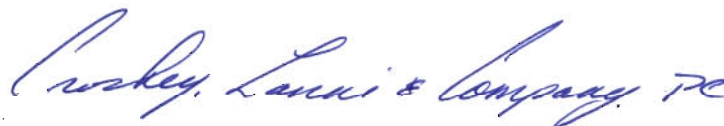
The management of Landmark Academy is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Landmark Academy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Landmark Academy's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Croskey, Lanni & Company, P.C.

July 21, 2009
Rochester, Michigan

LANDMARK ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

A. Summary of the auditor's results:

1. The auditor's report expresses an unqualified opinion on the Academy's financial statements.
2. No significant deficiencies in the internal control were disclosed by the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Landmark Academy, which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies in the internal control over major programs were disclosed by the audit.
5. The auditor's report on compliance for the major federal award programs for Landmark Academy expresses an unqualified opinion on all major federal programs.
6. The audit did not disclose any findings which were required to be reported.
7. The program tested as a major program included: ARRA (CFDA 84.394).
8. The threshold used to distinguish between Type A and Type B programs is \$300,000.
9. The Academy has not met all of the conditions required for qualification as a low-risk auditee.

B. There are no findings relating to the financial statements which are required to be reported in accordance with GAGAS.

C. There are no findings and questioned costs for Federal awards.